Common Action Discussion Starter

Ideas for a fairer tax system

With the mining boom behind us, Australia needs its federal government to secure our future prosperity by investing in the infrastructure, education and technology we need to compete successfully in a global digital economy.

And we want to make sure that prosperity is a shared one.

This requires properly funded schools, TAFE / VET, and universities that provide education, skills and opportunity to all. And we need a health system, services, and pensions that let us raise our families, live a fulfilling life, and lead a dignified retirement.

To fund these things, we need more revenue. More revenue doesn't necessarily mean new taxes. It means making existing taxes work properly – by tackling tax avoidance and ending wasteful handouts to very wealthy people who do not need government support.

Here are five options for how we can fund the things we need to secure our future prosperity and reduce inequality.

1. Stopping multinational tax avoidance and closing loopholes

- 200 largest Australian listed companies paying taxes at the statutory corporate rate of 30 per cent - $8.4 billion in extra revenue per year (Tax Justice Network)
- Curbing the use of trusts and private companies to reduce income tax liabilities - $2 billion in extra revenue in 2016-17 (Australian Council of Social Service – ACOSS)

2. Superannuation tax concessions should be for saving for retirement – not dodging tax

- Treat employer contributions as income taxed at marginal income tax rates less a flat-rate refundable tax offset of 20 per cent - $2.9 billion per year in extra revenue (Henry Tax review)
- Limiting superannuation tax concessions so that only $10,000 per year can be contributed before tax - $6 billion per year in extra revenue (Grattan Institute)
- Over 60-year-olds pay 15 per cent income tax rather than no tax on income from their superannuation - $3 billion per year in extra revenue (Grattan Institute)
- Charge rates of tax on superannuation contributions and fund earnings depending on the amount of income earned - $9.6 billion per year in extra revenue (The Australia Institute)

3. Change Negative Gearing

- Grandfathering existing negative gearing but only allowing new negative gearing for new construction - $1.2 billion per year in extra revenue (McKell Institute)
- Limiting deductions for expenses related to passive investments, including housing, to income from the same assets - $1 billion per year in extra revenue (ACOSS)
- Investors would no longer be able to deduct these losses against wage income. However, they would be able to carry forward any losses

and deduct them against any capital gain they make when the investment is sold - $2 billion per year in extra revenue (Grattan Institute)

- Restrict negative gearing to new residential property investment - $3.5 billion per year in extra revenue (The Australia Institute)

4. Reduce the Capital Gains Tax discount

- Remove the 50 per cent Capital Gains Tax discount - $5 billion per year in extra revenue (Grattan Institute)

- Scrap the Capital Gains Tax discount - $4 billion per year in extra revenue (The Australia Institute)

5. Apply the Buffett Rule to personal income tax

- Limiting claimable tax deductions so that there is a 35 per cent minimum income tax on people earning over $300,000 a year - $2.5 billion a year in extra revenue (The Australia Institute).

These five options could provide an extra $30 billion per year in revenue, or 2 percent of GDP, to support investment in a secure and prosperous future for Australia, and all are existing taxes.

A Financial Transactions Tax

- This would be a new tax, aimed at the hugely expanded finance sector. It would raise revenue and help restrain financial speculation which is a destabiliser in the global economy and diverts capital from real investments.

- A 2011 calculation by Prof Ross Buckley at the University of NSW demonstrated that an FTT of 0.05% in Australia could yield approximately $16 billion each year. It would be higher today. This is at least 1 per cent of GDP.

Questions for Discussion

1. **What are your ideas for making the Australian taxation system fairer and able to support a secure and prosperous future for Australia?**
2. **What are the best ways to make multinational companies pay income tax on profits made in Australia?**
3. **How do these changes to the company and personal tax systems compare with the impact of an increase in the GST from 10 per cent to 15 per cent?**
4. **How would the proposed changes to Negative Gearing and Capital Gains Tax impact on the cost and supply of housing?**
5. **Which groups in Australian society would be allies in supporting these options for reform to the company and personal income tax systems?**

Send your group or individual ideas and feedback to contact@commonaction.org.au

Common Action network: Aboriginal Rights Coalition, Australian Fair Trade & Investment Network, Australian Manufacturing Workers Union, Community & Public Sector Union - PSU Group, Construction Forestry Mining & Energy Union, Evatt Foundation, Federation of Italian Migrant Workers & Families, f-collective, Greens NSW, Maritime Union of Australia Sydney Branch, Migrante Australia, National Tertiary Education Union, NSW Nurses & Midwives Association, NSW ALP Socialist Left, SEARCH Foundation. http://www.commonaction.org.au. February 2017.